

## Vietnam Opportunity Fund

NAV per share (30 Jun 07)\* **US\$3.22**

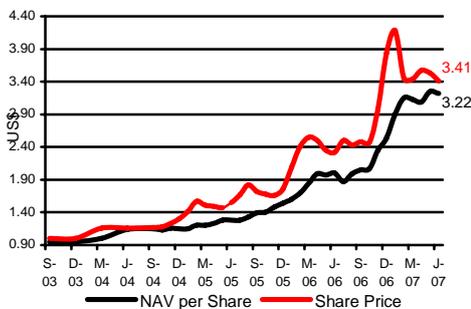
**Change**

Jun 2007 -0.79%  
 YTD: 25.3 %  
 Since inception (30 Sep 03) 222.0%

Issued shares 250,648,414  
 Total net asset value (US\$m) 807  
 Market cap (30 Jun 07, US\$m) 855

Reuters VOF.L  
 Bloomberg VOF LN

**Vietnam Opportunity Fund  
 NAV and share price performance**



**VinaLand Fund  
 NAV and share price performance**

## VinaLand

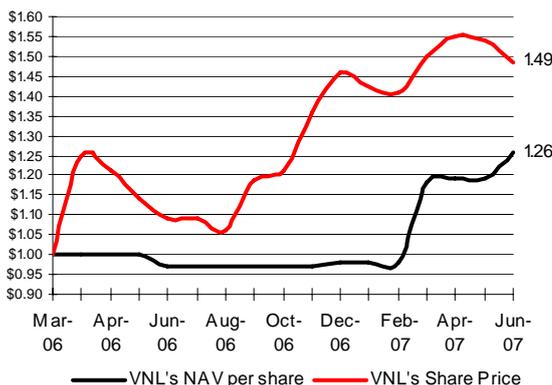
NAV per share (30 Jun 07)\* **US\$1.26**

**Change**

Since inception (22 Mar 06) 26%

Issued shares 499,967,622  
 Total net asset value (US\$m) 632  
 Market cap (31 Jun 07, US\$m) 743

Reuters VNL.L  
 Bloomberg VNL LN



\* Unaudited

## Economy in 2007

The economy continues to turn in a blistering performance with GDP growth of 7.87% y/y in the 1-H. Investment continues to pour in and industrial production is growing strongly. However there are a few signs of strain, inflation is trending close to the danger zone and some key exports categories have fallen short leading to a ballooning trade deficit. US dollar currency reserves have hit all time highs and the State Bank of Vietnam is clearly worried about the amount of cash sloshing around the financial system. They have applied the brakes and we may see growth ease off slightly in 2-H. We still expect year-end GDP growth to come in a smidge over 8% but feel estimates of higher growth don't take account of moves to head off inflationary concerns or infrastructure constraints which are hampering growth, especially in the South. GDP growth in 1-H rose at the fastest pace in several years led by growth in industry and construction of 9.88% y/y, services at 8.41% y/y and finally agriculture which edged up 2.67%. Private sector output surged by 20.5% y/y, the foreign invested sector followed up with growth up 19.3% while the state sector turned in a modest increase of 8.5%.

Exports rose by 19.4% to US\$22.5 billion in the 1-H. Most key export categories such as seafood, textiles, footwear, wood products all did well, but crude oil exports fell far short of expectations. Electronics exports surged as Vietnam emerges as an exporter of mid tech electronic products.

With average monthly exports falling short of the monthly \$4 billion target at US\$3.75 billion, the current year target of US\$48 billion may not be met. No harm really as the reason for the shortfall is a dip in crude oil exports (both volume and value) which is hardly a value added product. Meantime imports are jumping out of their skin. Capital goods imports for large scale projects rose 46% y/y to US\$4.4 billion. Steel ingot imports rose 60% y/y to \$3.3 billion on heavy construction related demand.

As a result of this the trade deficit more than doubled from US\$1.88 billion to \$4.78 billion in the first six months. This trend is unstoppable for now and the full year deficit will likely top \$9.5 billion this year. Consumer price inflation in 1-H came in at 7.8% y/y. The trend is accelerating and the number is coming close to the real GDP growth rate which is always a red flag for the SBV.

According to a new emerging-market index to be launched by PricewaterhouseCoopers this week, Vietnam is the world's most attractive location for manufacturing investment, not China ("Vietnam 'a better bet than China'," *The Sunday Times*, 8 July 2007). Based on "reward" factors including production costs, size of market, taxes, transport costs, tariffs and "risk" factors, the index finds that Vietnam is highly cost-competitive; however risks are also quite high. China comes second to Vietnam, followed by Poland, Chile, Malaysia, Thailand, India, South Africa, Hungary and Saudi Arabia.

## Stock Market

The markets ended the month lower as concern over the new 3% margin lending rule for banks, coupled with the drawn out saga of the Bao Viet auction hurt domestic sentiment. Foreigners remained more up-beat and bought stocks on weakness. The auction finally attracted acceptances of over 70% which means they got away with it, just. However the long wait caused damage to banking and insurance stocks which all took a tumble during the month. In fact blue chips generally had a rough time as FPT in particular fell down to the VND300,000 level before finding support.

The combination of extra supply especially in banking and insurance stocks is coming at the time when demand is soggy. Part of this is seasonal and part of it is because of the government's attempts to dampen down the market is hurting domestic sentiment. However the market has done reasonably well, all things considered, to hold about the 1000 line. This year may well prove to be a repeat of last year with a weak June and July leading to a bounce in August. It's important to remember that the supply side is still sitting on a lot of cash which can be deployed quite quickly when the market dips.

## ★ Vietnam Opportunity Fund



VinaCapital Investment Management  
Don Lam, Andy Ho, Cuong Nguyen

<b>NAV per share (30 Jun 07)*</b>	<b>US\$3.22</b>
<i>Change</i>	
Jun 2007	-0.79%
YTD:	25.3%
Since inception (30 Sep 03)	222.0%
Issued shares	250,648,414
Total net asset value (US\$m)	807
Market cap (30 Jun 07, US\$m)	855
Reuters	VOF.L
Bloombera	VOF LN

<b>Portfolio by asset type</b>	
Capital markets	<b>66.0%</b>
Listed	35.5%
OTC	30.5%
Real estate	<b>7.6%</b>
Private equity	<b>9.7%</b>
Cash, deposits, other	<b>16.7%</b>

### Performance history (% change on NAV)

	2007	2006	2005	2004
Jan	14.6%	3.9%	0.0%	0.0%
Feb	8.2%	6.3%	4.3%	0.0%
Mar	-0.6%	8.8%	0.8%	5.5%
April	-1.3%	7.6%	1.7%	0.0%
May	5.2%	-1.0%	4.1%	0.0%
June	-0.8%	1.5%	0.0%	13.8%
July		-6.5%	0.0%	0.0%
Aug		6.4%	3.9%	0.0%
Sept		3.0%	4.5%	0.9%
Oct		1.0%	0.7%	-1.7%
Nov		14.0%	5.7%	2.7%
Dec		8.1%	4.1%	-0.9%
YTD	<b>25.3%</b>	<b>64.9%</b>	<b>33.9%</b>	<b>21.1%</b>

### Portfolio developments

During June, VOF's NAV decreased by 0.8% from US\$3.25 per share to US\$3.22 per share. The listed component of the VOF portfolio decreased 3.5% while the VN-Index dropped 5.2% (from 1,081 points on 31 May to 1,025 points on 29 June). Including the unlisted (but OTC traded) shares, the combined capital market component of the VOF portfolio decreased 6.2%.

The listed component of the VOF portfolio outperformed the VN-Index on the back of solid performance from VOF's pharmaceutical and confectionary holdings.

The OTC component of the VOF portfolio underperformed the VN-Index due to a significant drop in the financial services sector and share prices of a pre-IPO construction/property development company. VOF invested a material amount into this construction/property company during May 2007 and saw a significant increase in valuation post the offering/investment (25%+); and in June, the excitement in this company tapered and shares prices decreased by 13%. VOF currently enjoys a 10%+ unrealised income from this investment.

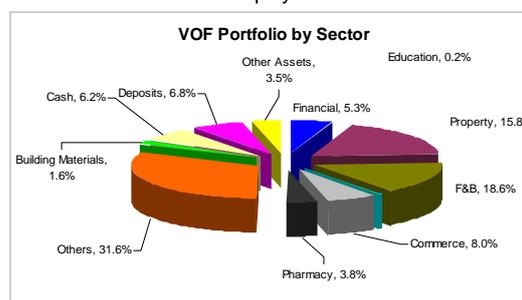
The private equity component of the VOF portfolio, which includes the real estate assets, increased 30.8%. During June 2007, VinaCapital revalued the real estate holdings (8 properties) based on valuations from independent advisors and as a result, VOF enjoyed a material increase in NAV equivalent to US\$0.14 per share.

The market has softened somewhat in June and we expect it to continue to soften slightly in the near term. We believe that the market is fully valued and could be attractive if it drops another 10% to 15% because 1H earnings have come through very strong. Overall, earnings growth for the first half of 2007 is coming in as expected (in the mid to upper 20 percentile).

During June we sold US\$9.2m worth of shares and bought US\$8.3m worth of shares. We also participated in the Bao Viet Insurance equitisation but did not succeed because the minimum winning price was above our assessed fair price. Subsequently, Bao Viet shares dropped in value and VOF was fortunate to be able to buy a small amount in the market.

### Major holdings

Vinamilk	Listed equity	10.0% (of NAV)
REE	Listed equity	7.0%
Hoa Phat	OTC	6.1%
Kinh Do	Listed equity	5.5%
Phu My	OTC	4.0%
ITA	Listed equity	2.5%



### Share Price to NAV Discount/Premium



## ★ Vietnam Opportunity Fund

### Investment Manager

VinaCapital Investment Management Ltd.  
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### Broker Details

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Bloomberg Page LCFR <go>

### Fund Administrator

HSBC Institutional Trust Services (Asia) Ltd.  
39/F Dorset House  
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Hong Kong

ISIN KYG9361G1010

### Fund background

Launched in September 2003, Vietnam Opportunity Fund (VOF) is a closed-end fund listed on the London Stock Exchange (AIM). VOF focuses on the key growth sectors of the domestic economy including financial services, retail, consumer goods, tourism, property, infrastructure, and technology. It makes equity and debt investments in listed, OTC-traded, and private companies, and participates in the privatization of state-owned companies.

### Fund manager

The fund is managed by a four member investment committee headed by Don Lam. The committee has representation from capital markets, private equity, and real estate divisions and approves all investment decisions. Don Lam has over a decade's worth of experience in corporate finance and distressed assets in Vietnam. The other members of the committee bring decades of investment experience to the management process.

### Management and performance fees

The baseline management fee is 2% of funds under management and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high water mark and a catch-up.

### Valuation policy

VOF adheres to the London Stock Exchange's valuation guidelines as set out for AIM-listed companies. This allows for revaluation only at the time of a third-party transaction or after a valuation review conducted by two independent auditors. Private equity and real estate investments are valued by an independent auditor at six-month intervals as a matter of course. VOF's valuation sub-committee, comprising two outside directors, maintains sole authority to approve or reject those valuations.

### Buy-back policy

VOF's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VOF at a price equal to the NAV per share at year end.

## VinaLand



### VinaCapital Real Estate

Don Lam, David Blackhall, Anh Tran, Seth Lim

<b>NAV per share (30 Jun 07)*</b>	<b>US\$1.26</b>
<i>Change</i>	
<i>Since inception (22 Mar 06)</i>	26%
Issued shares	499,967,622
Total net asset value (US\$m)	632
Market cap (30 Jun 07, US\$m)	743
Reuters	VNL.L
Bloomberg	VNL LN

### Portfolio by geographic distribution\*

Hanoi	25.0%
Central Provinces	16.0%
Ho Chi Minh City	59.0%

\*Currently invested projects

### Company news

Greg Norman and his Golf Course Design Team flew into Danang on 19 June 2007 to attend the official launch of the VinaCapital 260ha Danang Golf Course and Beach Resort Project Design. VinaCapital signed a consultancy agreement with Greg Norman to design the first of two golf courses, which will be the first international standard golf course in the central region of Vietnam. Creating the golf courses is part of a larger, two-stage development. Subject to final design and planning approvals, the first stage incorporates a 350 room resort, villas, and the first dunes golf course, while the second stage includes two hotels, a high-rise building, the heritage golf course and a traditional Vietnamese cultural centre.



### Re-valuation of property assets as at 30 June 2007

During the month the fund concluded the revaluations of 15 of VinaLand's property assets. Five independent external valuation consultants were engaged to prepare valuation reports which were presented to the Valuation Committee. The Valuation Committee subsequently approved the adoption of new valuations for a number of the properties. These valuations have been used to revise the NAV for the fund. Revised NAV for the Fund's major holdings are reflected below and are effective as at 30 June 2007.

### Major holdings

An Phu Apartments	Residential	US\$2.5m
Central Garden	Residential	US\$10.1m
Century 21	Mixed-use	US\$41.2m
Danang Resort 260ha	Mixed-use	US\$24.8m
Danang 9ha	Commercial - Mixed	US\$3.2m
Dong Hai Hotel	Hospitality	US\$6.4m
Hilton Hanoi	Hospitality	US\$29.9m
Guoman Hotel	Hospitality	US\$14.4m
Hanoi Opera Plaza	Office & Retail	US\$9.2m
Hanoi Golden Westlake	Residential	US\$7.5m
Hoi An Royal Bay Resort	Hospitality	US\$4.5m
Omni Hotel	Hospitality	US\$18.6m

## VinaLand

### Investment Manager

VinaCapital Investment Management Ltd.

### Development Adviser

VinaCapital Real Estate Ltd.

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### Fund background

Launched March 2006, VinaLand (VNL) is a closed-end property fund listed on the London Stock Exchange (AIM). The fund focuses on the key growth sectors of Vietnam's emerging real estate market including residential, office, retail, hospitality & leisure and high-tech industrial. The fund is managed by VinaCapital Investment Management, with VinaCapital Real Estate acting as real estate and development adviser.

### Investment manager

VinaCapital Investment Management (VCIM) comprises a team of over 130 professionals whose areas of expertise cover a full range of investment types.

A team of three experienced Deputy Managing Directors, lead by Don Lam, manage the VinaCapital Real Estate team of approximately 45 staff. A re-structuring of the real estate team has recently been undertaken to ensure resources and relevant expertise are utilized as required for the successful management of VinaLand projects. The new real estate team consists of three Deputy Managing Directors; Mr David Blackhall (Asset Management), Mr Vu Anh Tran (Investments), and Mr Seth Lim (Development). The new team combines to bring together a wealth of both international and local property experience covering investment, development and asset management. Additionally, the hospitality sector of real estate investment requires specialised expertise; and VinaCapital has an in-house hospitality team lead by Mr Stephen O'Grady, Managing Director of VinaCapital Hospitality. Both the real estate and hospitality teams work closely in parallel on a number of projects to achieve the best possible outcomes.

### Management and performance fees

The baseline management fee is 2% of funds under management and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high water mark and a catch-up.

### Valuation policy

VNL adheres to the London Stock Exchange's valuation guidelines as set out for AIM-listed companies. The investment manager presents two independent valuations to the VNL board of directors' valuation sub-committee twice yearly. The valuation sub-committee will accept or reject the valuation reports and may require the investment manager to obtain other third-party valuation reports if deemed necessary.

### Buy-back policy

VNL's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VNL at a price equal to the NAV per share at year end.

## Vietnam Infrastructure Limited



Vietnam Infrastructure Limited Board and Advisors

### Investment Manager

VinaCapital Investment Management Ltd.  
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### Fund Administrator

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ISIN KYG936121022

### Fund background

Vietnam Infrastructure Limited (VNI), a US\$402 million closed-end fund dedicated to investment in Vietnam's rapidly growing infrastructure sector, was admitted to trading on the AIM market of the London Stock Exchange plc under the symbol "VNI" on 5 July 2007. It is the first publicly traded fund to focus investment on key strategic infrastructure and infrastructure-related assets in Vietnam, including the energy, transport, water and telecommunications sectors.

Overwhelming demand from investors resulted in the offering being approximately four times oversubscribed.

Over the last ten years, Vietnam's economy has grown at an average annual rate of 7.5% while the country's population has also continued to grow rapidly. However, investment in Vietnam's infrastructure to date has failed to keep pace with these changes, creating significant opportunities for investment in the sector. Between now and 2020, Vietnam's infrastructure is projected to require a total investment of US\$140 billion.

With the launch of this fund, VNI will leverage the expertise and relationships of the VinaCapital team to assemble a first-rate portfolio of infrastructure investments. It will focus on strategic projects with strong underlying economic demand in Ho Chi Minh City, Hanoi and other key regions in Vietnam. VNI is currently reviewing an attractive pipeline of projects including highways, bridges, airports, power plants and telecommunications. VNI is also anticipating immediate investment opportunities, promising steady cash flows from the equitisation of state-owned infrastructure assets.

### Fund manager

The fund is managed by VinaCapital Investment Management (VCIM) which comprises a team of over 100 professionals whose areas of expertise cover a full range of investment types. Additionally, all investments are approved by a five member investment committee headed by William Lean.

William Lean is the managing director of VNI. Mr. Lean was formerly the Group Managing Director of HLG Capital Bhd, the investment-banking arm of Hong Leong Group. Prior to joining HLG Capital, he was with Asia Equity Infrastructure Fund (AEIF), an investment fund dedicated to investing in infrastructure assets pan-Asia. He was based in Bangkok working for AEIF for six years. AEIF was capitalized at \$355 million with sponsors being CDPQ, AMP Life and the Asian Development Bank. Before joining AEIF, Mr. Lean held positions in both equity research and corporate finance.

### Management and performance fees

The baseline management fee is 2% of gross asset value and the performance fee is 20% of gains in excess of an 8% hurdle rate, with a high water mark and a catch-up.

### Valuation policy

VNI adheres to the London Stock Exchange's valuation guidelines as set out for AIM-listed companies. The investment manager presents two independent valuations to the VNI board of directors' valuation sub-committee twice yearly. The valuation sub-committee will accept or reject the valuation reports and may require the investment manager to obtain other third-party valuation reports if deemed necessary.

### Buy-back policy

VNI's board of directors may elect to make an annual tender offer, at which time shareholders have the opportunity to sell their shares to VNI at a price equal to the NAV per share at year end.

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